REMARKS

Claim Objections

Dependent claims 38-39, 45, 52-53, and 59 have been amended to address the objections set forth in the Office Action. Applicants submit that these claims as amended are in proper dependent form as they further limit the subject matter of the claims from which they depend.

Section 101 Rejections

The methods (i.e., processes) recited in independent claims 48 and 49 satisfy the patent-eligibility requirements of § 101 because the claimed processes are tied to a particular machine, namely a computer system. *See In re Bilski*, 545 F.3d 943, 88 USPQ2d 1385, 1391 (Fed. Cir. 2008) (*en banc*) ("A claimed process is surely patent-eligible under § 101 if ... it is tied to a particular machine or apparatus..."). Moreover, because the claims recite a particular machine, they do not preempt a fundamental principal. *See id.* at 1391 ("claimed process involving a fundamental principle that uses a particular machine or apparatus would not pre-empt uses of the principle that do not also use the specified machine or apparatus in the manner claimed"). Therefore, claims 48-49 and their respective dependent claims are patent-eligible under § 101.

Section 112 Rejections

Claims 37-42 and 61 were rejected in the Office Action under § 112, ¶ 2 as being indefinite. The claims have been amended to address the rejections.

Claim 37 has been amended to remove the phrase "the forward prices." As amended, the claim states that "the projected contingent payments are calculated based on an expected value of the contingent payments [of the convertible debt instrument] as of an issue date of the convertible debt instrument." Support for this claim may be found, for example, at ¶ [0056] of the application.[1] Applicants submit that a person of ordinary skill in the art would readily understand from this claim that the expected value of the contingent payment of the convertible debt instrument is a variable in the function used to determine the projected contingent payments. Therefore, applicants submit that claim 37 satisfied § 112, ¶ 2.

[1] References to paragraphs of the application refer to the numbered paragraphs in the published application, Pub. No. 2005/0102213 A1.

Claim 38 has been amended to clarify that the tax adjusted issue price of the convertible debt instruments is determined based on "a comparable yield for the convertible debt instrument that is determined by referencing a yield of a fixed-rate nonconvertible debt instrument with terms and conditions similar to terms and conditions of the convertible debt instrument." The term "comparable yield" is a well understood term in the field of structured finance. The term is defined in Section 1.1275-4(b)(4)(i)(A) of Subchapter A of the U.S. Treasury Regulations as: "Except as provided in paragraph (b)(4)(i)(B) of this section, the comparable yield for a debt instrument is the yield at which the issuer would issue a fixed rate debt instrument with terms and conditions similar to those of the contingent payment debt instrument." Because the term has a well-understood meaning in the relevant field, and because the claim recites how the comparable yield is used, applicants submit that a person of ordinary skill in the art would readily understand the meaning of the claim as amended and that the claim satisfies § 112, ¶ 2.

For claim 39, applicants submit that the specification is clear that "noncontingent payments" are payments paid on the issued convertible debt instrument that are not contingent as provided for in the contingent payment provision of the convertible debt instrument. For example, paragraph [0020] of the application explains that the convertible debt instrument may be in one embodiment a convertible bond that pays a coupon. The coupon payments are noncontingent payments because they are not triggered by the condition(s) set forth in the contingent payment provision of the convertible debt instrument. Applicants submit that a person of ordinary skill in the art would readily understand the meaning of the claim as amended and the claim satisfies § 112, ¶ 2.

Claims 40-42 have been amended to clarify that the adjustments (positive or negative) are made to the contingent payments of the convertible debt security. *See e.g.*, ¶¶ [0036] and [0057]-[0058]. Applicants submit that a person of ordinary skill in the art would readily understand the meaning of the claims as amended and the claims satisfy § 112, ¶ 2.

Claim 61 has been amended to clarify that the price at which the holder can purchase the additional shares under the warrant provision is "above the conversion price of the convertible debt instrument." Claim 61 has also been amended to clarify that the warrant provision option is exercisable by the holder "upon conversion of the convertible debt instrument." *See e.g.*,

¶ [0032] of the application. Applicants submit that a person of ordinary skill in the art would readily understand the meaning of the claims as amended and the claims satisfy § 112, ¶ 2.

Section 103 Rejections

Independent claims 48-49 are not obvious for the following reasons:

First, contrary to what is stated in the Office Action, Farr does not disclose "a remarketing provision that provides that the convertible [debt instrument] may be remarketed to new investors under certain conditions and remarketing, at a remarketing time, the convertible security to one or more new investors; wherein after the remarketing time, the convertible security remains outstanding ... and potential recapture of excess tax benefits is postponed until the convertible security ceases to be outstanding." Office Action at p. 9. This is because in Farr, there are no excess tax benefits to be recaptured since Farr's securities do not have contingent payments. Thus, the Office is factually incorrect when it says that Farr discloses that the "potential recapture of excess tax benefits is postponed until the convertible security ceases to be outstanding."

Farr's patent involves Upper DECS, which comprise a fixed income security and a forward purchase contract. *See* Farr at col. 3:48-50. While Farr's fixed income securities are remarketable, Farr does not disclose that the fixed income securities have contingent payments. Instead, Farr discloses that when certain triggers are met, the remarketing of the fixed income securities is accelerated. *See id.* at col. 4:4-6. Without the possibility for contingent payments, issues of potential recapture of excess tax benefits are not implicated in Farr.

Second, even if the Office was correct (which it is not) that Farr discloses that the potential recapture of excess tax benefits for a convertible security is postponed until the convertible security ceases to be outstanding, there is secondary evidence of the nonobviousness of the claims that the Office has failed to credit.

This secondary evidence includes the fact that the invention of the present application was the subject of a Harvard Business School ("HBS") case study. *See* Exhibit A to applicants' response filed March 20, 2009. The case study explains how Wells Fargo & Company used the methods of the present invention to issue $3 billion in remarketable convertible securities in

2003. The case study makes clear that the claimed inventions are non-obvious for several reasons.

For one, the mere fact that the invention of the present application was the subject of a HBS case study is evidence of the non-obviousness of the invention. As a general proposition, professors at elite business schools like HBS did not spend time teaching their students about obvious business innovations. The fact that faculty members at HBS found the invention of the present application worthy enough for a case study demonstrates the non-obviousness of the invention.

Secondly, the process by which the CFO at Wells Fargo decided to pursue the offering using the present invention, as described in the HBS case study, makes clear that the invention is nonobvious. The CFO brought in a number of investment bankers to create an offering structure that suited Wells Fargo's needs. Based on the recounting of how the offering was arrived at, it is clear that the claimed inventions were not obvious to the representative of the three investment banks prior to that meeting. According to Howard Atkins, CFO of Wells Fargo, the firms had offered proposals that were different from the claimed inventions. If the invention were as obvious as the Office Action asserts, there would have been no need for the CFO to gather all of the investment bankers and hold them captive until a solution was determined; the CFO or the investment bankers would have been able to come up with the offering structure immediately. However, that did not happen, and the fact that it did not happen demonstrates the nonobviousness of the invention.

Additional secondary evidence of the nonobviousness of the invention is the unexpected results provided by the claimed methods. The present invention was used by Wells Fargo to offer \$3.0 billion of floating rate convertible senior debentures. This \$3.0 billion offering was significantly larger (6 to 30 times) than a typical convertible debt offering, which, prior to the Wells Fargo offering, ranged from between \$100 million to \$500 million. *See* Exhibit A at pg. 6. If the invention were so obvious, it would have been used previously to raise such large amounts of capital for companies in situations where it would not have been possible with conventional convertible debt offerings. *See* Exhibit A. at 6.

Finally, the co-authors of the case study, which included one faculty member at HBS (Malcolm Baker), recognized the uniqueness of the claimed inventions in the case study. In the

case study, the authors state "[g]iven the ***unique*** structure of the proposed convertible, [Howard] Atkins [,chief financial officer of Wells Fargo & Company,] and his investment banking team expected it would take a few weeks to draft the legal documents." *See* Exhibit A at 6 (emphasis added). The fact that a professor at HBS considered the structure unique is evidence of the nonobviousness of the invention.

The Office is required to consider such secondary indicia of nonobviousness. According to the Office guidelines for determining obviousness, "Office personnel should consider all rebuttal evidence that is timely presented by the applicants when reevaluating any obviousness determination." *Examination Guidelines for Determining Obviousness Under 35 U.S.C. 103*, 72 Fed. Reg. 57,526 at ¶ V. (Oct. 10, 2007). "Rebuttal evidence may include evidence of 'secondary considerations,' such as 'commercial success, long felt but unsolved needs, [and] failure of others.'" *Id.* (quoting *Graham v. John Deere Co.*, 383 U.S. 1, 17 (1966)). Here, the Office failed to address applicants' previously submitted secondary considerations of non-obviousness. Instead, the Office wrongfully dismissed the evidence as "moot in view of the new ground(s) for rejection." The new rejections, however, do not moot the evidence; the evidence is equally applicable under the new rejections. This, it was improper for the Office to dismiss the evidence last time, and this time the Office must "weigh the proffered evidence and arguments..." MPEP § 2145.

Furthermore, given the complete nexus between the secondary evidence and the claims, substantial weight should be given to the secondary evidence (*see id.*), which rebuts the Office's (factually flawed) *prima facie* case of obviousness.

Because independent claims 48-49 are nonobvious, their respective dependent claims are also nonobvious. *See* MPEP § 2143.03.

CONCLUSION

Applicants respectfully submit that all of the claims presented in the present application are in condition for allowance. Applicants' present Amendment should not in any way be taken as acquiescence to any of the specific assertions, statements, etc., presented in the Office Action not explicitly addressed herein. Applicants reserve the right to address specifically all such

assertions and statements in subsequent responses. Applicants also reserve the right to seek claims of a broader or different scope in a continuation application.

Applicants do not concede the correctness of the Office Action's rejection with respect to any of the dependent claims discussed above. Accordingly, Applicants hereby reserve the right to make additional arguments as may be necessary to distinguish further the dependent claims from the cited references, taken alone or in combination, based on additional features contained in the dependent claims that were not discussed above. A detailed discussion of these differences is believed to be unnecessary at this time in view of the basic differences in the independent claims pointed out above.

Applicants have made a diligent effort to properly respond to the Office Action and believe that the claims are in condition for allowance. If the Examiner has any remaining concerns, the Examiner is invited to contact the undersigned at the telephone number set forth below so that such concerns may be expeditiously addressed.

Respectfully submitted,

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